



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

AUG 1 1980

MEMORANDUM FOR: Roger Fortuna  
FROM: William J. Ward  
SUBJECT: ALLEGED FALSIFICATION OF QA RECORDS AT SOUTH TEXAS

Enclosed is a Region IV report of investigation concerning alleged falsification of quality assurance records at the South Texas Project (STP) by a Brown and Root QC Inspector responsible for surveillance of a subcontractor. According to the report, the QC Inspector furnished two written statements wherein he admitted falsifying two QA documents, failing to submit NCR's concerning subcontractor welders bypassing a hold point, and attempting to enlist the aid of a subordinate in covering up his original falsifications.

As per our telephone conversation of July 25, 1980, this report is being forwarded for your review in view of the potential criminality on the part of the Brown and Root employee. Region IV is holding any dissemination of this report outside NRC, as well as any enforcement action in abeyance pending the results of your review and/or any prosecutive determination by the Department of Justice if you choose to refer the matter to them. The supporting documentation referred to in the report of investigation is available at IE:HQ for your review if you deem it necessary.

William J. Ward, Senior Investigator  
Executive Office for Operations Support  
Office of Inspection and Enforcement

- cc w/o enclosures:  
R. C. DeYoung  
D. Thompson  
H. D. Thornburg  
K. V. Seyfrit  
R. Herr  
T. W. Brockett

XA Copy Has Been Sent to PDR

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XA

- cc: V. Stello, IE  
J. Cummings, OIA  
R. C. DeYoung, IE  
D. Thompson, IE ✓  
B. H. Grier, RI  
J. P. O'Reilly, RII  
J. G. Keppler, RIII  
R. H. Engelken, RV  
D. Hayes, RIII  
S. Phillips, RIII  
R. E. Shewmaker, IE  
R. Compton, RII  
E. Jernigan, RI  
R. Landsman, RIII

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UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

July 9, 1980

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etc

MEMORANDUM FOR: Chairman Ahearne  
Commissioner Gilinsky  
Commissioner Hendrie  
Commissioner Bradford

FROM: Carlton Kammerer, Director  
Office of Congressional Affairs

SUBJECT: OVERSIGHT AND INVESTIGATION SUBCOMMITTEE HEARING ON  
THE SOUTH TEXAS PROJECT

The Subcommittee on Oversight and Investigations of the House Committee on Interstate and Foreign Commerce will hold a series of hearings tentatively beginning on July 29, 1980 relative to the South Texas Project and the role of the NRC in the problems encountered in the construction of that nuclear plant. Congressman Bob Eckhardt (D-TX) is Chairman of the Subcommittee.

The NRC will be requested to testify on the first day of the hearings and will be expected to lay the groundwork for subsequent hearings. The hearings will focus on the generic issue of construction problems associated with nuclear power plants vis-a-vis an adequate or inadequate project management structure utilized by a given utility.

The Subcommittee is interested in the following as applied to South Texas.

1. A brief chronology of the events leading up to the present-day situation at South Texas
2. Why did the affairs get to the point where a complete investigation by the NRC became necessary
3. What NRC corrective action is underway

The Subcommittee, in its oversight capacity, will be interested in examining the regulatory role of the NRC and has expressed interest in knowing the impact of the implementation of the "Action Plan" as it applies to increased public health and safety with respect to the plant.

The Subcommittee plans, at this time, to involve the NRC only on the first day with subsequent hearings being devoted to members of the nuclear industry in general and the utilities in particular. Houston Power and Light and others will be invited to testify. They will request that the Chairman and Vic Stello be the principal witnesses for the NRC. Karl Seyfrit may be asked to attend but will not be required to have prepared statement.

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Testimony should be a maximum of fifteen minutes (ten preferred) with the opportunity to submit whatever is desired for the record. It is recommended that I&E be the principal drafters of the testimony with ultimate completion according to the following schedule:

7/11 Testimony outline circulated for comment  
7/15 Outline comments due to drafting office by COB  
7/18 Draft testimony circulated for comment  
7/22 Staff briefing for Chairman if necessary  
7/23 Comments on draft due to drafting office by COB  
7/25 Proposed final testimony circulated (a.m.)  
7/28 Testimony delivered to Subcommittee (NLT noon)

cc: OGC  
OPE  
EDO  
ELD  
MPA  
OIA  
OPA  
SECY  
SP



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

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JUL 11 1980

*[Handwritten initials/signature]*

MEMORANDUM FOR: Chairman Ahearne  
 Commissioner Gilinsky  
 Commissioner Hendrie  
 Commissioner Bradford  
 (Signed) T. A. Rohn

THRU: William J. Dircks, Acting Executive Director for Operations

FROM: Victor Stello, Jr., Director  
 Office of Inspection and Enforcement

SUBJECT: OUTLINE OF TESTIMONY FOR HEARING BEFORE HOUSE SUBCOMMITTEE  
 ON OVERSIGHT AND INVESTIGATION FOR SOUTH TEXAS PROJECT

This is in reference to the memo dated July 9, 1980 from C. Kammerer, OCA, on the above subject.

In keeping with the proposed schedule for a tentative hearing date of July 29, 1980, we are enclosing the proposed outline of the statements to be given first by Chairman Ahearne and followed by my statement. It is intended that K. Seyfrit, Director, RIV, will be available at the hearing.

Comments on these proposed outlines are requested to be received in IE by COB, July 15, 1980.

*[Handwritten signature: Victor Stello, Jr.]*  
 Victor Stello, Jr.  
 Director  
 Office of Inspection  
 and Enforcement

- Enclosures:
1. Outline of Statement by Ahearne
  2. Outline of Statement by Stello

CONTACT: H. D. Thornburg, IE  
49-28484

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cc w/enclosure:

OGC  
OPE  
EDO  
ELD  
MPA  
GIA  
OPA  
OCA  
SECY  
SP  
NRR

K. Seyfrit, RIV  
V. Stello, IE  
R. C. DeYoung, IE  
H. D. Thornburg, IE  
J. M. Taylor, IE  
G. W. Reinmuth, IE  
R. E. Shewmaker, IE

OUTLINE

STATEMENT OF

JOHN F. AHEARNE, CHAIRMAN  
U.S. NUCLEAR REGULATORY COMMISSION

TO THE

SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS

REP. BOB ECKHARDT, CHAIRMAN

HOUSE COMMITTEE ON INTERSTATE AND

FOREIGN COMMERCE

JULY 29, 1980

I. Introduction

- A. Regulatory Role of NRC Relative to the South Texas Project
- B. Introduction of NRC witnesses
  - 1. Director, IE and Director, Region IV to provide details of problems on project
  - 2. Director, Region IV to be available for questions

II. Description and Status of South Texas Project

- A. Start of Construction 11/1/75
- B. Construction approximately 50% complete on Unit 1
- C. Westinghouse design - pressurized water reactor
- D. Houston Power & Light - Licensee  
Brown & Root - Architect/Engineer as well as constructor

III. Summary of Problem as Perceived by the NRC

- A. Inadequate control of the construction process by licensee leading to serious deficiencies in the quality assurance program. Details to be provided by Directors, IE and Region IV.

IV. Brief description of Enforcement Action

- A. NRC action in this case has ranged from issuing immediate action letter, stop work order, show cause order, and civil penalty.

V. Impact of TMI Action Plan on South Texas Project

- A. Summary of major features of Plan relating specific features to South Texas project.

OUTLINE

STATEMENT OF

VICTOR STELLO, JR., DIRECTOR  
OFFICE OF INSPECTION AND ENFORCEMENT  
U. S. NUCLEAR REGULATORY COMMISSION

TO THE

SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS

REP. BOB ECKHARDT, CHAIRMAN

HOUSE COMMITTEE ON INTERSTATE AND

FOREIGN COMMERCE

JULY 29, 1980

I. Background Information

- A. Review and acceptance of Quality Assurance Program for South Texas
- B. Issuance of Construction Permit
- C. Enforcement History
- D. Allegation History

II. Actions taken by involved parties

- A. Region IV
- B. HL&P
- C. Brown & Root
- D. IE Headquarters

III. Special Investigations and Findings

- A. FBI Investigation
- B. Review and reinvestigation of allegations made prior to 11/2/79 by OIA
- C. Investigation of allegations of 11/2/79 by OIE
- D. Assessment of effectiveness of the QA/QC program for ongoing activities by OIE
- E. Assessment of completed safety-related construction

IV. Order and Civil Penalty of 4/30/80

V. Corrective actions necessary for resolution of So. Texas problems

- A. Outstanding IAL items
- B. Responses/actions on items of noncompliance
- C. Responses/actions on Order

VI. Current Status

VII. Case Analysis and Generic Implications

- A. Timeliness of NRC recognition of, and actions on problems
- B. Relationship of licensee, architect/engineer, contractor and QA/QC groups
- C. Construction project management
- D. Construction craftsmen competency and retention on a site
- E. Projection of activities and licensing of South Texas for the future considering problems to date and TMI Action Plan (may be addressed by Chairman)

VIII. Documents Submitted for the Record